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In This Issue:

Central Military Commission Chairman Xi Jinping with the Troops

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In a Fortnight

By Peter Mattis

SPIRALING SURPRISES IN SINO-JAPANESE TENSIONS

Ever since the Japanese government bought several of the Diaoyu/Senkaku islands from a private owner, Sino-Japanese relations have been in a downward spiral. Japan's change of government following the mid-December elections that returned power to the Liberal Democratic Party has seemed only to exacerbate the tensions created by what Xinhua called "the island-buying farce" (Xinhua, January 13). In contrast with Abe Shinzo's first time as prime minister and the first Democratic Party of Japan government, Tokyo started on a different tack that did not involve rebalancing between China and the United States. Instead, Japan has confounded Chinese expectations by advocating a more robust regional maritime security architecture that also draws India into the Pacific—something Beijing repeatedly has warned against as tensions in the South China Sea simmered over the last year (*Straits Times*, December 4, 2012; *Times of India*, June 3, 2012; *Global Times*, February 29, 2012). Chinese surprise at Japanese actions suggests one of two possibilities: either Beijing has made a decision to pressure Japan irrespective of the possibility of success or that there is a major information processing problem that is keeping away or politicizing information that should be reaching the leadership.

State media said the Japanese prime minister had broken his word about placing relations with China at the forefront of Tokyo's diplomatic priorities. In light of his recent op-ed on a maritime security partnership, Abe's trip to Thailand, Indonesia and Vietnam appeared to be a Japanese attempt at containment (Xinhua, January 16, January 13; Project Syndicate, December 27, 2012). The often-shrill *Global Times*, however, called Abe's trip a laughable effort to contain China, calling Japanese provocations "no better than a kind of self-comforting [sic]." Because of Japan's political instability, Tokyo's actions reflect symbolic politics for domestic consumption—Beijing should just wait and see to show the region how ineffectual Japanese actions really are (*Global Times*, January 16).

For the present, China is not content to wait. Beijing seems to be trying to balance a three-pronged approach to Japan: maintaining China's right to patrol the disputed areas; threatening to escalate the crisis; and, finally, showing an opening so the Japanese government gets blamed. Foreign Ministry spokesman Hong Lei had denied that Chinese maritime or aerial patrols have done anything outside the normal range of their lawful activities even as they appear to have expanded to protect Chinese sovereignty (Xinhua, January 15, January 7). At the same time and following reports that the Japanese were considering firing warning shots, the Chinese military flew J-10s near the disputed area and announced that on January 7 bombers had successfully carried out an "open-sea surprise attack" (*PLA Daily*, January 18; *Want China Times* [Taiwan], January 16; Xinhua, January 15). Lastly, while hosting former Japanese Prime Minister Hatoyama Yukio at the Memorial Hall of Victims of the Nanjing Massacre, Chinese papers editorialized that Hatoyama's visit is proof that good Japanese exist and that they may diverge from the "rightist" path toward confrontation (*Global Times*, January 18).

Chinese attitudes about a possible confrontation seem to be hardening or at least falling back to the position that only preparations for war can deter Japan from exploiting the situation. One editorial pessimistically concluded "A military clash is more likely. We shouldn't have the illusion that Japan will be deterred by our firm stance. We need to prepare for the worst" (*Global Times*, January 11). Ren Weidong, a Ministry of State Security (MSS) analyst with the China Institutes of Contemporary International Relations (CICIR), suggested in a seeming allusion to Vegetius that Beijing needed to forgo its romanticism and make wartime preparations to preserve the peace. This is the only way to show the strength under pressure necessary to maintain China's course of peaceful development (*People's Daily*, January 18). General Secretary Xi Jinping's recent reshuffle of military officers suggests he is trying to improve his connections, connectivity and, by extension, his authority within the People's Liberation Army in case tensions beget a real crisis ("Commander-in-Chief Xi Jinping Raises the Bar on PLA 'Combat Readiness'," *China Brief*, January 18). This is not a question of loyalty, but rather of having a trusted network of officers within key positions across the force. With potential distortions of bureaucratic information flows and the tight control over what information means, a robust network is necessary for Chinese political leaders to maintain situational awareness during a crisis.

Although Beijing's apparent heightened alert raises concern, some larger questions should be asked about the quality of the information inputs into Chinese policymaking related to Japan and the East China Sea. Did Chinese leaders really not understand the bad choices facing Tokyo when the potential sale of the Diaoyu/Senkaku islands became an issue last year, even after Japanese diplomats made quiet entreaties? Some Chinese analysts blame the influence of "rightists" for the derailment of Sino-Japanese relations, despite State Councilor Dai Bingguo's notable essay on recalibrating Chinese foreign policy at the end of 2010—the year China overplayed its hand (*Global Times*, January 18; *China Daily*, December 13, 2010). It is not as though China lacks senior specialists with rank sufficient to make an analytic judgment. For example, one of the MSS vice ministers, Lu Zhongwei, was a career Japan watcher at CICIR before taking an operational post as chief of the Tianjin State Security Bureau (CCTV, June 7, 2011; www.tjdx.gov.cn, October 27, 2006; *People's Daily*, December 21, 2001). There are a set of processes here—or a lack thereof with Beijing pursuing a deliberate course without regular inputs—that are not necessarily well understood [1]. Yet, as a crisis looms, knowing how information is moving through the system and how it is interpreted is crucial to tailoring responses to Chinese actions.

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Notes:

1. Peter Mattis, "Beyond Spy versus Spy: Clarifying the Analytic Challenge of the Chinese Intelligence Services," *Studies in Intelligence* Vol. 56, No. 4, September 2012, pp. 47–57 < https://www.cia.gov/library/center-for-the-study-of-intelligence/csi-publications/csi-studies/studies/vol.-56-no.-3/beyond-spy-vs.-spy-the-analytic-challenge-of-understanding-chinese-intelligence-services.html>.

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Commander-in-Chief Xi Jinping Raises the Bar on PLA "Combat Readiness"

By Willy Lam

General Secretary and Commander-in-Chief Xi Jinping has lost no time in establishing his stamp of authority over the People's Liberation Army (PLA), which is deemed an important power base of the princeling leader. Barely two months after he took over the chairmanship of the policy-setting Central Military Commission (CMC) from President Hu Jintao, Xi has passed a series of regulations on "administering the army with strictness and austerity." The 59-year-old Xi has with lightning speed presided over a large-scale reshuffle of senior staff in the four general departments as well as the seven military regions (MRs). More significantly, the CMC chief has put significantly more emphasis than his predecessors on combat readiness, reiterating that it is the calling of every solider to fight and win wars.

On different occasions in the past month or so, Xi has demanded that the 2.4 million-strong PLA's profess "absolute loyalty" to the party leadership. The Xinhua News Agency last Sunday released a set of instructions from the General Political Department (GPD) and the PLA Disciplinary Inspection Commission on "solidly implementing the objectives of administering [military] party organizations with strictness and administering the army with strictness." The instructions stated "Through studying and education, we must hoist high the flag [of the party] and heed the instructions of the party... We must run [military] party organizations with strictness and strictly oversee [the conduct of] officers." The series of dictums also pointed out that officers and enlisted alike must "safeguard a high level of concentration [of authority] and unity among the troops" (Xinhua, January 13; *PLA Daily*, January 13).

Apart from unquestioned loyalty to the "CCP Central Committee with comrade Xi Jinping as General Secretary," the PLA is asked to distinguish itself in frugality and austerity. It is a common perception among Chinese public intellectuals that PLA officers are at least as corrupt as CCP cadres. Last month, military authorities passed the so-called "Ten Regulations on Improving the Work Style of the Army." PLA personnel, particularly mid- to senior-level officers are forbidden from holding big banquets and to give or receive gifts. Liquor is banned for all occasions. Also proscribed are red carpets and "empty talk" when senior officers tour the regions. Moreover, military personnel have to seek the approval of the CMC General Office before giving views on "major and sensitive issues" in the public media. "In terms of its code of ethics, the PLA should live up to the people's expectations and stand high in Chinese society," the official *PLA Daily* commented when reporting on the Ten Regulations (*PLA Daily*, December 28, 2012; *Wen Wei Po* [Hong Kong], December 25, 2012).

Just before the start of the 18th CCP Congress on November 8, the CMC announced a new slate of leaders for the four general departments, the Navy, Air Force and Second Artillery as well as the seven military regions (MR). This major reshuffle was presided over by President Hu and reflected his desire to promote at least several of his key PLA protégés prior to his retirement. In the past fortnight, however, Xi has masterminded the appointments of a few dozen deputy heads of the four general departments, the Navy, Air Force and Second Artillery as well as the deputy commanders, deputy political commissars as well as the chiefs of staff (CoS) within the seven MRs.

A dozen-odd senior staff in the General Staff Department (GSD), GPD, the General Logistics Department, the Second Artillery, as well as the Jinan, Lanzhou, Shenyang and Guangzhou MRs have been reshuffled. The official Chinese media has paid much attention to the promotion of the PLA's youngest lieutenant general, the 54-year-old Yi Xiaoguang from deputy commander of the Nanjing MR to Assistant Chief at the GSD. Also significant is the appointment of Major General Qin Shengxiang, a former head of the GPD Organization Department, to the post of Director of the CMC General Office. Because the CMC General Office is the *de facto* nerve center of the entire military, its director most often is considered a protégé and confidante of the CMC Chairman. Apart from continuing the tradition of the frequent personnel movements between headquarters units and the field command, Xi has a record of favoring officers with professional and academic credentials. For example, Deputy Commandant of the National Defense University Major General Wang Xixin early last month was appointed deputy commander of the Shenyang MR (Sina.com, January 10; *Ming Pao* [Hong Kong] January 9; *Ta Kung Pao* [Hong Kong], January 9).

Moreover, the CoS of six of the seven MRs have been changed. These new chiefs—whose posts are deemed launching pads for future promotion to MR commanders as well as senior slots in the four general departments—are all former heads of group armies. For example, Ma Yiming, the former commander of the renowned 26th Group Army, which falls within the jurisdiction of the Jinan MR, was promoted the CoS of the MR in early January. His predecessor, Lieutenant General Zhao Zongqi had late last year been elevated to the post of commander of the same MR. While Chairman Xi obviously values veterans with solid command experience, he also has given the nod to rising stars from less traditional backgrounds. For example, the only MR-level CoS who has never been the commander of a Group Army—Major General Yang Hui of the Nanjing MR—has rich foreign intelligence gathering experience. The 49-year-old Yang, who is also the only MR CoS born in the 1960s, had worked as a military attaché in the Chinese embassies in Yugoslavia, the Soviet Union and, later, the Russian Federation (*Ta Kung Pao*, January 10; *Hong Kong Economic Journal*, January 10).

Given the well-entrenched tradition among military officers of professing personal fealty to the commander-in-chief who has given them big raises, Xi's rapid-fire series of personnel moves seems geared toward augmenting his already formidable authority in the PLA. Another message that the commander-in-chief might be sending his officers may be that, while satisfactory performance can earn timely elevations, heavier demands will be made on their ability to fight and win wars. An much-enhanced degree of combat readiness was the theme of Xi's visit to the Guangzhou MR last month. It also is significant that the official media used the term Guangzhou Zhanqu [literally Guangzhou War Theater] to describe the military region. In Xi's first regional inspection trip, the CMC honcho vowed to "comprehensively strengthen military construction from the point of view of being more revolutionary, more modernized and more institutionalized." He told officers and soldiers to "to firmly remember that following the party's instructions is the soul of a strong army, while the ability to fight and to win wars is the quintessence of a strong army" (*Wen Wei Po*, December 13, 2012; Xinhua, December 12, 2012).

Military chiefs from ex-president Jiang Zemin to Hu routinely have called upon the top brass to "prepare for military struggle." Xi, however, was the first supremo to spell out in no uncertain terms that the PLA must "push forward preparations for military struggle through insisting on using the criteria of actual combat...We must ceaselessly boost the idea that soldiers join the PLA to fight, and that [the calling of] officers is to lead soldiers in combat and to train them for [real] warfare." In Guangzhou, Xi also said "We must train our troops with tough and strict criteria which are based on the needs of actual combat." He reiterated that the "core" of the PLA's multi-dimensional military tasks was "the ability to win regional warfare under IT-oriented conditions." Indeed, since the end of the Maoist era, Xi is the first PLA chief to have given such graphic instructions about the army's constant combat readiness: "We must ensure that our troops are ready when called upon, that they are fully capable of fighting, and that they must win every war" (*Ming Pao*, December 13, 2012; *PLA Daily*, December 12, 2012).

Xi's hard-line remarks were repeated by the "Instruction on Military Training in 2013" that was issued by the GSD earlier this week.

The Instruction asked all military staff to "bolster their ideological [commitment] to engaging in combat." Officers and soldiers were asked to "do well in preparations for fighting wars" and "to train the troops under difficult and severe conditions and based on the requirements of actual combat." The document also read "We must raise our ability in fighting wars and in solving major difficulties that affect training in actual combat" (*PLA Daily*, January 14; *Global Times*, January 14). The imperative of heightened combat readiness was evident in the stepped-up training reportedly going on in the newly-established Sansha Military District within the Guangzhou MR, which has responsibility for safeguarding Chinese sovereignty over the Spratly and Paracel Islands in the South China Sea. The *PLA Daily* reported officers and soldiers in the area had during the New Year Holidays revved up maneuvers, including those relating to "handling emergencies." The paper stated "The [Sansha] troops are implementing multi-directional and multi-faceted work related to [promoting] safety in combat readiness...Once an emergency arises, [the troops] can spring into action quickly, hold on to their positions, and win battles" (*PLA Daily*, January 3; China News Service, January 3).

Equally significant is the fact that CMC Chairman Xi has continued the tradition first started by predecessor Hu a few years ago of being much more transparent regarding not only the development of new weapons but also the activities of individual PLA units. For example, the Ministry of National Defense for the past month or so has volunteered information regarding developments in hardware ranging from a new generation of engines for jetfighters to progress in the Beidou Navigation Satellite System. The PLA media also has carried relatively detailed reports on the deployments of China's first aircraft carrier, the country's first generation of drones and even the movement of vessels and aircraft near disputed islands in the East China Sea and the South China Sea (*People's Daily*, January 7; Xinhua, December 29, 2012; *Technology Daily* [Beijing] December 28, 2012).

There seems little doubt that as Chinese military commentators have pointed out, the recent flexing of military muscle—and thinly veiled threats of actual combat—is integral to enhanced psychological warfare particularly in view of exacerbated confrontation with Japan over the Diaoyu-Senkaku archipelago. As Shanghai-based international relations expert Professor Ni Lexiong indicated, apparently hawkish instructions released by the PLA since late last year was a form of "counter-intimidation tactics" due largely to the war games staged by Japan's Self-Defense Forces in connection with guarding Japanese sovereignty over the islets (*Ming Pao*, January 15; Sina.com, January 15). The speed and sheer ferocity of the marathon measures taken by the putative "core" of the CCP's Fifth-Generation Leadership to bolster discipline among PLA officers and to significantly scale up the their combat capabilities, however, could spell a watershed in the way that Beijing is using military prowess to safeguard the country's national interests as well as its global status as a quasi-superpower.

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China and Commercial Aircraft Production: Harder than It Looks

By Richard A. Bitzinger

No one can ever accuse China of thinking small. When it decided to enter into commercial aircraft manufacturing, it knew that it was going up against one of the world's greatest duopolies: the Boeing-Airbus stranglehold on the medium-to-large jetliner business. These two companies produce nearly every 100-seat-and-above passenger plane flown by nearly every airline in the world. Given China's recent successes in consumer electronics, semiconductors and the automobile industry—not to mention its progress in such technologically daunting enterprises as manned space flight and fifth-generation fighter aircraft—it is little wonder that it believes it can break into this highly lucrative market. And it *could* happen when it comes to commercial aircraft. At the Zhuhai Airshow in November 2012, China announced an order for a further 50 of its new C919 large passenger jet (Xinhua, November 13, 2012).

At the same time, perhaps no other industrial sector has such high barriers to entry. Only in recent years have Boeing and Airbus had any meaningful competition, and even then only at the very low end of the business: Canada's Bombardier and Brazil's Embraer both produce smallish jetliners that can seat up to 125 passengers. Other companies that have tried to play in the "big boys club" of commercial aircraft production—such as Mitsubishi, Sukhoi and Indonesia's IPTN— all have failed miserably ("Is China Leading the Rebirth of Asia's Commercial Aircraft Industry," *China Brief*, April 29, 2010). So why should China succeed?

In the first place: size. China is the world's second largest national air travel market and also the fastest growing. China buys around 200 new passenger jets every year, about one-eighth the world's total demand (*China Daily*, August 27, 2009) [1]. Consequently, there is a huge domestic market to tap into and build upon.

In the second place: pride. The decision to enter the large commercial aircraft market was made at the very top, by the State Council of China and by the Central Committee of the Chinese Communist Party. The Commercial Aircraft Corporation of China Ltd. (COMAC)—the state-owned company created in 2008 to take charge of passenger jet development—is wrapped in self-described "aeronautical patriotism," and it views its mission as equivalent to the nation's development of nuclear weapons and the launch of the country's first satellite ("Message from Chairman," COMAC Website, Undated).

Current Chinese Commercial Aircraft Programs: Think Medium

COMAC currently has two passenger jets in the works. The first is the ARJ-21, a medium-sized regional jet seating between 90 and 105 passengers, and designed for short-haul flights of less than three hours. Launched in 2002, during the Tenth Five-Year Plan (2001–2005), the ARJ-21 is intended first and foremost to meet China's burgeoning demand for internal air transport. Estimates are that the country will require up to 1,000 such regional jets over the next 20 years (*China Daily*, November 11, 2008). The ARJ-21 had it maiden flight in late 2008, and the plane has already secured over 300 firm orders. Over the next two decades, COMAC hopes to build 850 ARJ-21s, at a rate of 30 per year [2].

The second Chinese airliner currently in development is the C919 narrow-body jet, initiated in 2008. The C919 seats 150 to 200 passengers, which puts it in roughly the same category as the Boeing 737 and the Airbus A320. Nearly 400 of these airliners have already been ordered. COMAC plans to conduct the first flight of the C919 in 2014 and begin deliveries by 2016 (Xinhua, November 13, 2012). Other passenger jets are also envisioned and COMAC already has begun to plan for the production of two wide-body airliners: the 300-seat C929 and the 400-seat C939.

In addition to the homegrown ARJ-21 and C919, China is expanding local commercial aircraft manufacturing via the licensed-production of Airbus and Embraer passenger jets. As part of a deal with Airbus, China currently is assembling Airbus A320 and A319 commercial airliners in Tianjin, specifically for the Chinese market (that is, no export sales are permitted...yet). The Tianjin production facility produced its 100th A320-series jetliner in mid-2012, and it is striving to assemble four aircraft per month ("Airbus in China," Airbus Website, Undated) [3]. Meanwhile, Embraer has a joint venture with the Harbin Aircraft Industry Group to co-produce the 50-passenger ERJ-145 regional jets ("Chinese Commercial Aviation Cleared for Takeoff," *China Brief*, February 29, 2008).

Reorganizing the Aviation Industry to Promote Commercial Aircraft Production

To develop and build the ARJ-21 and C919, China cobbled together several competing aircraft manufacturing groups into a single consortium, known initially as the AVIC I Commercial Aircraft Company (ACAC). Members of ACAC included the Shanghai Aircraft Research Institute, the Xi'an Aircraft Design and Research Institute, the Chengdu Aircraft Industrial Group (CAIG), the Xi'an Aircraft Industry Group (XAIG), the Shenyang Aircraft Corporation (SAC), and the Shanghai Aircraft Manufacturing Factory (SAMF). The Shanghai and Xi'an research institutes were responsible for designing the aircraft, while workshares were distributed among the four manufacturing companies accordingly:

- CAIG: nosecone
- XAIG: wings and fuselage
- SAC: tail assembly, pylon and vertical stabilizer
- SAMF: horizontal stabilizer and final assembly (AVIC I, www.acac.com.cn, undated).

To further aid the development of its aviation industry, China also recently decided to re-consolidate its aircraft-manufacturing sector. In 1999, Beijing broke up its large defense-oriented state-owned enterprises into smaller units in the hope that these new industrial groups would compete with each other and therefore become more efficient, innovative and market-oriented. Hence, the old Aviation Industries of China (AVIC) was split into AVIC I—which manufactured fighter jets and undertook most large commercial aircraft projects—and AVIC II— which had responsibility for building helicopters and trainer aircraft. From the beginning, however, it was apparent that these two new industrial groups would overlap very little in terms of products, and so any benefits of competition were few. Additionally, AVIC I appeared to get the bulk of the lucrative and prestigious aviation programs, while AVIC II staggered along with a handful of less glamorous projects.

In 2008, therefore, Beijing re-merged AVIC I and AVIC II back into a single unit, again called Aviation Industries of China. This new AVIC regards this reconsolidation as creating sufficient "critical mass" so as to more effectively and efficiently develop new indigenous aircraft and aerospace technologies, both in the military and commercial sectors. It is also likely that the new AVIC foresees so much work coming out of future commercial aircraft production that it will require the involvement of the manufacturing centers of the old AVIC II to help fill all the orders.

With the re-merger of AVIC, ACAC was absorbed into the COMAC consortium. This new civil aircraft company has responsibility both for building the ARJ-21 and for developing the C919 passenger jet. COMAC is jointly owned by the reconsolidated AVIC, the State-owned Assets Supervision and Administration Commission of the State Council (SASAC), the Shanghai Guosheng Group as well as several other state-owned corporations including Baosteel Group, Sinochem, and the Aluminum Corporation of China.

Paper Airplanes?

Back in 2010, in an earlier *China Brief* article, this author argued the following:

> "The success of the ARJ-21 will revitalize the Asian commercial aircraft industry. For the first time, this part of the world will have a product that can compete in an industrial sector historically dominated by North Americans and Europeans. More importantly, China could eventually become a hub for regional civilian airliner production, bringing in other aerospace firms from throughout Asia to partner on follow-on commercial aircraft projects" ("Is China Leading the Rebirth of Asia's Commercial Aircraft Industry," *China Brief*, April 29, 2010).

In point of fact, however, this prediction has turned out to be at best premature, if not totally wide of the mark. Rather, there are growing doubts as to whether China will ever be a major player in the global commercial jetliner sector.

The ARJ-21 and the C919 may look good on paper, but serious challenges confront China when it comes breaking into the passenger jet business. In the first place, both airliners are already heavily delayed, due to technical and other setbacks. The ARJ-21, for example, was two-and-a-half years late in achieving first flight. In late 2010, the plane's wing failed its predicted load rating during static tests; wing cracks as well as problems with the aircraft's avionics and wiring also have been reported. Altogether, the ARJ-21 is already at least five years behind schedule, and initial deliveries are not expected before the end of 2013, if even then (Reuters, June 8, 2012).

For its part, the C919 program already has cost China over $9 billion, but there are growing questions about the plane's finances and its ability to meet its projected milestones. In particular, the U.S. Federal Aviation Administration (FAA) has refused to certify the C919's airworthiness until the ARJ-21 is first approved, making it highly unlikely that the aircraft will meet its 2016 deadline for starting deliveries. FAA certification is essential if the Chinese wish to sell the C919 to foreign airlines (Caixin, December 18, 2012).

In addition, neither airliner has yet broken the Boeing/Airbus, or even the lesser Bombardier/Embraer, lock on global commercial aircraft sales, nor does it look like they will do so anytime soon. Nearly all orders for the ARJ-21 and C919 have come from *Chinese* airlines, making it highly probable that Beijing strong-armed these companies into buying these planes. In fact, one customer, Joy Air, was purportedly established *specifically* to purchase and operate Chinese-made commercial aircraft (Caixin, December 18, 2012). Very few foreign airlines seem interested in either airplane; the largest non-Chinese customer for these planes is GECAS, an Irish-American company that buys and then leases passenger jets to airlines.

At the same time, many of the orders for these aircraft are only *intentions* to buy. According to the *China Business Journal*, no airline has yet put down a cash deposit to guarantee its orders. In part, this is because COMAC has declined to announce a price tag for either aircraft (Caixin, December 18, 2012).

Finally, despite its pronouncements of building aircraft with "Chinese characteristics," COMAC is heavily reliant on foreign firms to provide critical components and technologies for these aircraft. More than 20 overseas firms are partnering on the ARJ-21, including General Electric (engines), Rockwell Collins (avionics), Liebheer (landing gear) and Parker Aerospace (flight controls). In addition, the ARJ-21's nose cone is a direct copy of the defunct McDonnell-Douglas MD-82, which was built under license in China back in the 1990s. In fact, the entire airplane so closely resembles the MD-80/-90—with a nearly identical cabin cross-section, tail, and nose—that some have speculated that it probably uses tooling originally supplied for the MD-82 program (which could be a violation of intellectual property rights). Moreover, while ARJ-21's wing may be new, it was designed by Ukraine's Antonov Design Bureau. Overall, there appears to be very little that is "Chinese" in the ARJ-21, except the labor.

The C919 appears to be indigenously designed, but it too relies heavily on foreign subsystems and components. In particular, CFM International will supply its LEAP turbofan engine for the C919, and it will subsequently build an assembly line in China to produce this powerplant. Nexelle will provide the nacelle and thrust-reverser.

Other parts of China's commercial aerospace industry also have not fared particularly well. Airbus's Tianjin plant may have to close in 2016 if it does not secure follow-on orders, while production of the ERJ-145 at Harbin was only 41 aircraft over a ten-year period. Additionally, Embraer is now converting this line to build Legacy 650 business jets (which is based on the ERJ-145) (www.richardaboulafia.com, July 2012; Air Transport World, June 15, 2012).

A Long Ways to Go (If Ever)

It will likely be a long time, if ever, before China threatens the Western stranglehold on commercial aircraft production. Building large passenger planes is one of the most daunting undertakings in manufacturing. In some senses, it is even more challenging than manufacturing fighter aircraft, since civil airlines have to be commercially as well as technologically viable. It is one thing for the Chinese to leverage its comparative advantages in low-cost manufacturing to produce high-quality parts for foreign aircraft manufacturers, which it has done for decades (for example, China has built Boeing 737 tail sections since the 1980s). It is quite another to convince foreign airlines to trust flying their passengers in Chinese-built airliners. Safety and reliability as well as comfort and economy are at least as important as price, and China's reputation in all but the latter is still quite poor, because of repeated scandals in consumer products.

Even if China can assure quality control of its commercial airliners, however, it will be difficult to overcome airlines' ingrained preferences for proven products like the A320 or the 737. Consequently, it remains to be seen whether China will ever become a global powerhouse in this industrial sector. More likely, Chinese-*built* passenger planes probably will always remain overwhelmingly a Chinese-*bought* item.

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Notes:

1. Roger Cliff, Chad Ohlandt, and David Yang, *Ready for Takeoff: China's Advancing Aerospace Industry*, Santa Monica, CA: RAND, 2011, p. 5.
2. Ibid., p. 27.
3. Ibid., p. 28.

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Sino-Kazakh Ties on a Roll

By Richard Weitz

The construction of China's New Eurasian Land Bridge through Central Asia has been gathering speed in recent months and looks to make even greater progress in 2013. At the end of 2012, China and Kazakhstan opened their second major rail link at the Xinjiang-Kazakhstan border city of Korgas. The new link comprises a 300-km section in both countries that connects their rail networks from Jiangsu Province to the rest of Kazakhstan's rail system, which itself is being expanded through enhanced China-Kazakhstan cooperation. On December 22, 2012, Kazakhstan Temir Zholy (KTZ), the national railway company of Kazakhstan, reported that Kazakhstan and China have started using the new railway crossing of Altynkol-Khorgos. It is expected cargo transportation will reach 10 million tons in 2015 and 15 million tons in 2020. Industry observers expect the Korgas Pass—which now connects China and Kazakhstan by a railway, a highway and an oil pipeline—to handle 20 million tons of cargo per year by 2020 and 35 million tons per year by 2030 (Xinhua, December 22, 2012; *Trend*, December 22, 2012) [1].

Riding the Rails

Until now, the only railroad border crossing between China and Kazakhstan was between Alashankow in China and Dostyk station in Kazakhstan. This 460-km line to Urumqi in Xinjiang and Akataw Pass, where it connects to Kazakhstan's railways, represented China's only currently operational rail link with Central Asia. The rail crossing at Alataw Patwa_handles more than 15 million tons of freight each year with almost twice as much cargo moving westward from China as eastward. So far, more than150 million tons of freight have been transported through the Alashankou/Dostyk crossing since it began operation in 1991 (TengriNews, December 24, 2012; *Railway Gazette*, December 24, 2012). On June 14, 2010, a freight train carrying 45 tons of liquefied natural gas (LNG) crossed the Chinese-Kazakhistani border at the Alashankou/Dostyk checkpoint en route to delivery to the Dushanzi petrochemical plant located in the northern Xinjiang Uygur Autonomous Region. The shipment marked the first time that China imported energy resources from Central Asia by rail.

Last April saw the official opening of the first transnational free-trade center in Central Asia, located along the cross-border river near the Xinjiang village of Horgos. This China-Kazakhstan International Border Cooperation Center occupies 3.43 square kilometers of land inside northwest China's Xinjiang and 1.85 square kilometers on the Kazakh side. The Horgos center has been be developed into a "free port" with tax reimbursement for exports, duty-free purchases for visitors and provisions for 30-day visa-free stays This special economic zone supports trade negotiation, financial services, commodity display and sales, warehousing of goods, transportation, hotels, restaurants, shopping, entertainment and tourism. Additionally, border crossing procedures have been improved in this cooperation zone, making it easier and faster for border inspection authorities and civilians to navigate within this area (CCTV, June 3, 2012).

Construction also will begin this year on a high-speed railway line between Kazakhstan's capital, Astana, and the former capital Almaty, which is still most important commercial hub, benefitting from its proximity to China. Trains along this 1050-kilometer Astana-Almaty line, which has many bridges and elevated trains, are projected to travel as fast as 350 km/h. This will reduce the travel time for the estimated five billion passengers who will use it to a four-hour journey. China's will own a 30 percent share of this $16 billion project (TengriNews, January 4, 2012; Xinhua, February 23, 2011).

Energy the Driving Force for Sino-Kazakh Relations

Although security considerations initially dominated Beijing's policies toward Kazakhstan and its other newly-independent Central Asian neighbors, economic and especially energy concerns have become increasingly important. Thanks to its energy riches, Kazakhstan has become China's most important economic partner in Central Asia. Commercial ties between Kazakhstan and China were minimal during the first decade of Kazakhstan's independence due to the economic chaos in Central Asia following the breakup of the integrated Soviet economy as well as the legacy effect of the security barriers erected along the sealed Sino-Soviet frontier during the Cold War. The overlapping ethnic groups between the two countries helped launch the initial commercial ties between Kazakhstan and China, overcoming those original barriers. During the last decade, Kazakhstan has achieved rapid economic growth rates due largely to the soaring value of the country's oil exports. These developments have raised the country's per capita gross national income to around $12,000 today and helped position Astana as a key Chinese partner.

In a 50-50 joint venture, the Chinese National Petroleum Corporation (CNCP) and KazMunaiGaz built a lengthy oil pipeline from Kazakhstan's Atyrau port along the Caspian coast to Alashankou in China's northwest Xinjiang region. When it began operating on a limited basis in December 2005, the delivery marked the first eastward flow of Central Asian oil and China's first receipt of imported oil by pipeline. Now, one fifth of Kazakhstan's oil flows to China (*People's Daily*, December 20, 2012). In 2010, the Central Asia-China pipeline began transporting natural gas from Turkmenistan through Uzbekistan and Kazakhstan to China. This 2,100-kilometer gas pipeline is expected to deliver around 40 billion cubic meters (bcm) annually by 2015.

In another joint CNCP-KazMunaiGaz project, Astana has invested $130 million to augment a $1.8-billion loan from the China Development Bank, to construct a 1,500-km natural gas pipeline from Beyneu in western Kazakhstan to Bozoi Shymkent. From there, the 50-50 owned Beineu-Shymkent Gas Pipeline LLP will connect with the Central Asia-China gas pipeline as well as provide gas to southern Kazakhstan, a region that must currently import gas (IANS, December 13, 2012). It also plans to construct a Pipeline "C" that would provide a third Kazakhstani gas pipeline into China. When all three conduits are fully operational in 2015, they will deliver up to 60 billion cubic meters of gas to China annually—or about half of the PRC's anticipated demand for imported gas then (UPI, September 16, 2011). At the end of 2012, the CNCP opened the last section of its $22 billion, 8,704-km pipeline, which can carry as much as 30 bcm from Huoerguos on the China-Kazakhstan border in northwest Xinjiang Uygur region to Shanghai, Guangzhou and Hong Kong (IANS, December 31, 2012)The volume of Kazakhstan's trade with China now exceeds that with Russia for the first time in centuries and China has been Kazakhstan's second-largest trading partner since 2009 (*China Daily*, December 3, 2011). Two-way trade between the two countries increased from $1.29 billion in 2001 to $33 billion in 2012—or almost one third of all Kazakhstan's foreign trade. At least for now, China is surpassed by only the European Union, which has almost a 40 percent collective share in Kazakhstan's total external trade due to its massive purchases of Kazakh oil (*People's Daily*, December 20, 2012; European Commission, October 23, 2012; *China Daily*, June 12, 2012). On December 8, 2012, during discussions with visiting Chinese Vice Premier Wang Qishan in Astana, President Nursultan Nazarbayev said Kazakhstan will intensify its efforts to finish the natural gas pipeline that is being co-built with China by 2014 in order to increase natural gas exports to China (Ministry of Foreign Affairs, December 8, 2012).

Bilateral economic ties should expand further given that both countries regularly enjoy some of the world's fastest growth rates and China's growing demand for Kazakhstani's rising exports of oil, natural gas and uranium ("China's Uranium Quest Part 2: The Turn to Foreign Markets," *China Brief*, September 2, 2011). When Kazakh Prime Minister Karim Masimov met with Premier Wen Jiabao on April 9, 2008, he stressed Astana's commitment to enhancing bilateral commerce through infrastructure development, specifically citing the need to improve Kazakhstan's ports, customs and banking systems, railways, highways and other commercial networks involving China (Ministry of Foreign Affairs, April 9, 2008). That month, the two governments signed an Action Plan for Cooperation designed to diversify bilateral trade beyond commodities and included 20 development projects in agriculture, new technologies, cross-border trade, transportation and communication [2]. When he visited Beijing in last June, Nazarbayev said he "welcomes Chinese investment in the Central Asian country's transport infrastructure, and hopes that the pace of the trans-border railway and highway projects between the two countries will be quickened" (Xinhua, June 6, 2012). Three months later, Premier Wen called for China and Kazakhstan to accelerate their cooperation in trade, infrastructure construction and other economic areas. The two governments recently set the goal of raising bilateral trade to $40 billion by 2015 (*Global Times*, December 9, 2012; Xinhua, September 3, 2012).

Given their expanding trade ties, it is unsurprising that China's railroad building efforts have primarily focused on expanding Kazakh transit capacity. Beijing's ambitions, however, extend far beyond that. China has been anchoring the new 11,870-km Eurasian Land Bridge that extends from Lianyungang city to Rotterdam, a major West European port. Using this uninterrupted railroad route through Central Asia, Russia and Europe allows cargo to travel five times faster from China to Western Europe than by ship. Given its higher transportation costs, the rail route is most suitable for high-value-added freight such as for electronic and other mechanical goods (*China Daily*, December 12, 2012). Beijing has been using its leading role in the Shanghai Cooperation Organization and other multinational institutions to mobilize multinational support behind these Eurasian transportation and other infrastructure projects as it tries to move up the value-added chain.

China and Kazakhstan also are major players in the 8,700-km Western Europe-Western China international transport corridor, which will become the shortest road transport link between Central Asian countries and Europe. Once completed in late 2013, containers will take just two weeks to move from China's eastern seaboard to Europe, three times faster than if they went by sea. The European Bank for Reconstruction and Development, the World Bank, the Asian Development Bank and the Islamic Development Bank are providing millions dollars in funding for the highway. More than 30,000 Kazakhstani workers are helping construct a 1,734 km stretch that passes through four regions of Kazakhstan (Aktobe, Kyzylorda, Zhambyl and South Kazakhstan). Nazarbayev called the highway the "construction of the century" in his 2012 State of the Nation address. In his Kazakhstan-2050 national development strategy announced last month, Nazarbayev said the existing projects should double the transit capacity across Kazakhstan by 2020 and set a new goal of increasing this capacity ten-fold by 2050. Nazarbayev also declared Kazakhstan should help develop key transit hubs throughout Eurasia and beyond (www.akorda.kz, December 14, 2012; *The Financial*, December 1, 2012; *Trend*, January 20, 2012).

Remaining Challenges

China is making progress in improving its transportation links with Greater Central Asia. The existing and proposed near-term connections between China and its western neighbors will still service only a small share of China's foreign commerce, which will likely remain dominated by containerized cargo shipping by sea. Much additional progress is needed in this area to achieve the higher levels of bilateral commerce sought in both Astana and Beijing. In addition to the underdeveloped economic infrastructure connecting the two sides, other impediments to expanded commercial exchanges include unsupportive visa policies, special regulations on Chinese consumer products, corrupt commercial practices in both countries and Kazakhstan's absence from the WTO. Ironically, one factor discouraging Kazakhstan's rapid entry into the WTO has been Kazakhs' concerns about having their national industries devastated by Chinese competition in the absence of protective barriers—as happened with neighboring Kyrgyzstan.

Kazakhstan's close economic ties with Russia also have disrupted some Sino-Kazakh economic ties. On the one hand, much Russia-China trade goes through Kazakhstan. On the other hand, Russia has sought to prevent the newly-implemented Russia-Kazakhstan-Belarus Customs Union from serving as a backdoor for the smuggling of cheap Chinese goods into Russia by pressing Kazakhstan to tighten controls at the Sino-Kazakh border before Russia and Kazakhstan eliminated their joint checkpoints (EurasiaNet, May 5, 2011). Some Kazakhstanis complain they can no longer buy cheap Chinese imports, but must now spend more to purchase often inferior quality goods from Russia and Belarus. Vladimir Putin's proposed Eurasian Union, which Astana has said they would join, could erect further economic and perhaps other barriers between

China and Kazakhstan.

Conclusion

Both China and Kazakhstan benefit from their cooperation in trade, transport, and energy; however, these developments do not portend a deeper, strategic alliance between the two countries—both of which are strongly committed to their independence. The Kazakh government is especially keen to maintain balanced relations between China, Russia, Europe and the United States to avoid domination by any single actor. Chinese leaders also have been restrained about antagonizing Russia by appearing to threaten Moscow's interests in the region. In many cases, these coincide, or at least do not conflict, with China's core regional interests. Yet, this harmony also results from Kazakhstan and the rest of Central Asia's being of lower strategic priority for Beijing than for Moscow. China's expanding interest in securing Central Asian energy and economic opportunities could lead Beijing to reconsider its policy of regional deference. The Chinese authorities are still developing their strategies, tactics and capabilities to defend their growing foreign economic assets, which in Central Asia include energy pipelines and the foreign operations of several major companies. Central Asian as well as Chinese and Russian policymakers would prefer if Beijing could rely on the local authorities, supported by Moscow, to protect these assets, but the failure of these non-Chinese actors might compel all parties to accept, if reluctantly, a large and enduring Chinese security presence in their region.

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1. The Korgas Pass is located 200 km from Astana, 670 km from Urumqi, and less than 100 km from Yining, the principal city in China's Ili Kazakh autonomous prefecture.
2. Rouben Azizian and Elnara Bainazarova, "Eurasian Response to China's Rise: Russia and Kazakhstan in Search of Optimal China Policy," *Asian Politics & Policy,* Vol. 4, No. 3, 2012, pp. 377–399.

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China and Central Asia in 2013

By Raffaello Pantucci and Alexandros Petersen

In the last two years, China has emerged as the most consequential outside actor in Central Asia. As we have described in other writings, China's ascension to this role has been largely inadvertent [1]. It has more to do with the region's contemporary circumstances and China's overall economic momentum than a concerted effort emanating from the Zhongnanhai. The implications for United States and NATO policy are nevertheless profound. Not only have the geopolitics of Eurasia shifted in ways little understood in Washington and Brussels, but the socio-political and physical undergirding of the post-Soviet space from Aktobe to Kandahar is being transformed.

Official Chinese policy in Central Asia is quiet and cautious, focused on developing the region as an economic partner with its western province Xinjiang whilst also looking beyond at what China characterizes as the "Eurasian Land Bridge…connecting east Asia and west Europe" (Xinhua, September 4, 2012). Chinese state-owned enterprises (SOEs) are active throughout the region on major infrastructure projects, but it is not clear how much they are being directed as part of some grand strategy as opposed to focusing on obvious profitable opportunities. The Shanghai Cooperation Organization (SCO), the main multilateral vehicle for Chinese regional efforts and reassuring engagement is a powerfully symbolic, but institutionally empty actor. Many smaller Chinese actors—ranging from shuttle traders to small-time entrepreneurs to schoolteachers and students posted to Confucius Institutes throughout the region—are the gradual vanguard of possible long-term Chinese investment and influence.

China's engagement in Afghanistan is growing as U.S. and Western involvement wanes. Whether Chinese companies and diplomats remain in the event of a surge in violence and country-wide destabilization is a question that will be answered post-2014. For the moment, however, Chinese SOEs Metallurgic Corporation of China (MCC) and Jiangxi Copper are invested heavily in one of the world's biggest copper mines at Mes Aynak (just southeast of Kabul) while China's energy giant China National Petroleum Corporation (CNPC) is pumping oil in Afghanistan's northern Amu Darya Basin. Currently, the firm is trucking the oil across the border to refineries in Turkmenistan, although plans are in place to develop a refinery on the Afghan side of the border. Plans also are moving forward for the construction of another string of the Central Asia-China pipeline from Turkmenistan to Xinjiang to pass through northern Afghanistan (Xinhua, June 6, 2012). CNPC and its subsidiaries already have cut deals with local authorities to ensure security in their operating areas. Should Afghanistan once again be split between a Pashtun south and a Tajik and Uzbek north, Chinese companies may have the relationships to continue operations under the protection of a new Northern Alliance. It seems that plans for the natural gas pipeline include distribution to local communities in northern Afghanistan [2].

Next door, at the source of the gas in Turkmenistan, CNPC and the Chinese government have carved out for themselves an envious position as one of the most influential outside players in Ashgabat, at least when talking in energy terms. The Central Asia-China pipeline, one of the most impressive feats in energy infrastructure construction, was completed in 18 months and now is slated to bring 60 billion cubic meters (bcm) of natural gas per year to China in the coming decades (Platts, August 31, 2011). These immense volumes—four times that planned for the Trans-Anatolian pipeline from the Caspian to Southeastern Europe—may require up to three different routes for the project's separate strings. This route planned to traverse northern Afghanistan will offer an alternative to the more costly route through Uzbekistan and Kazakhstan [3].

Turkmenistan's main energy and foreign policy priority at the moment is the realization of the Turkmenistan–Afghanistan–Pakistan–India (TAPI) pipeline southeast across Afghanistan to markets in Pakistan and India. During the project's recent international road show, CNPC and Sinopec reportedly expressed interest in the project, even if it was unclear in what capacity [4]. For the sake of diversity, Turkmenistan's leadership would almost certainly prefer non-Chinese companies investing in TAPI. During the Petrotech conference in New Delhi in October 2012, the acting Minister of Oil and Gas Industry and Mineral Resources Kakageldy Abdullaev made overtures to Indian firms to come and invest in Turkmenistan (*Business Standard*, November 27, 2012).

Further downstream in Uzbekistan, the government started to pump its own gas down the pipeline traversing its territory in September. The move was part of a 2010 agreement signed between the two countries for Uzbekneftegas to send some 10 bcm per year to China (Platts, September 24, 2012). In historically energy-poor Tajikistan, CNPC partnered with Total to purchase a share each of Tethys find in Bokhtar, at the eastern end of the Amu Darya Basin (Bloomberg, December 21, 2012). In Kyrgyzstan, a Chinese firm also has agreed to build a refinery in the Chui Oblast whilst acting Kyrgyz Economy Minister Temir Sariyev reported "China is interested in the construction of Kazakhstan-Kyrgyzstan-China oil pipeline and a gas pipeline from Turkmenistan via the south of Kyrgyzstan" (Azer News, December 4, 2012; Central Asia Online, April 27, 2012).

Beijing and Chinese companies have long cultivated a close partnership with Kazakhstan as a regional power and source of valuable resources ("Sino-Kazakh Ties on a Roll," *China Brief*, January 18). While Western companies suffer in their attempts to bring offshore projects online in Kazakhstan's Caspian waters, China steadily has become the largest outside energy investor onshore. China's sovereign wealth fund China Investment Corporation (CIC) is set to buy into Kazakhoil Aktobe, Kazakhturkmunai and Mangistau Investments—a deal which according to some estimates will give Chinese companies control over 40 percent of Kazakhstan's oil production (TengriNews, January 8). The Kazakhstan-China oil pipeline—completed in a number of stages throughout the last decade—is slated to operate at its full capacity of 20 million tons per year (tpy) by 2014 (EnergyGlobal, November 9, 2012).

Nevertheless, this rosy picture has another side. According to analysts spoken to in Astana, the fields to which China has access are older ones that have been exploited for years. Furthermore, local Kazakhs with whom the authors spoke do not have particularly positive perspectives on their Chinese employers. At a grander scale, the slow progress with the Kazakh side of the free trade zone at Khorgos on the border between the two countries just northeast of Almaty is further evidence of these tensions. Analysts and officials asked either side of the border have vague responses about delays with the site. Currently, the Chinese side teams with new markets, corporate offices, hotels and customs buildings, but the Kazakhstani side still has some way to go in bringing its infrastructure on par with its neighbor [5]. Khorgos is the crossing point from China into Central Asia for three developments: a Central Asia-China pipeline from Turkmenistan; a new highway that is under construction linking Almaty, Astana, the Caspian shore and Russia; and a second train connection between China and Kazakhstan that opened last month (Xinhua, December 22, 2012). A key component of China's so-called "New Eurasian Land Bridge," the Khorgos passage is one of the main arteries in the chain connecting China's eastern coast with Western Europe through Russia and the Black Sea-Caspian region.

These difficulties are even more evident in Kyrgyzstan where there have been a spate of clashes between locals and Chinese workers. In October, reports emerged from a gold mine managed by the Zijin Mining group in Taldy-Bulak that locals had threatened to burn down a company office after the company allegedly was killed a local horse (RIA Novosti, October 22, 2012). Then, in January, a fracas broke out between Chinese and local workers after Chinese workers allegedly caught a local stealing. In the ensuing clash some 100 people were involved and 18 Chinese workers were injured, two seriously (Xinhua, January 11). Whilst Kyrgyzstan is a notoriously difficult environment for foreign investors with many other nation's countries also experiencing problems, China seemed to respond with particular attention this time around. In response to the first incident, the head of the Chinese Chamber of Commerce in Kyrgzystan, Li Deming, wrote an op-ed stating "Kyrgyzstan still a mine field for investors" (*Global Times*, October 28, 2012). In December, during an SCO Prime Ministers' Meeting in Bishkek, Premier Wen Jiabao met with his counterpart and reinforced this message encouraging "Chinese enterprises to expand investment in Kyrgyzstan" (Xinhua, December 4, 2012).

A much larger, potentially strategic, threat to Chinese investments in Central Asia, however, lies in Russian President Vladimir Putin's proposed Eurasian Union. Most recently announced in October 2011, when President Putin laid out his plan in an article in the Izvestia newspaper, the notion has its roots in the Customs Union that was first proposed in the 1990s by President Nazarbayev of Kazakhstan. While slow to accept the idea, President Putin now has embraced the idea wholeheartedly to create a regional organization that would coordinate "economic and currency policy" between the countries of the former Soviet Union (Reuters, October 3, 2011). Currently, the Union is made up of Kazakhstan, Belarus and Russia, but, in Central Asia, both Tajikistan and Kyrgyzstan have expressed an interest in joining. What is not entirely clear is whether this is something that is taking place as a result of Russian pressure or whether this is a choice. In his annual statement to the Duma in December 2012, President Putin spoke of tightening requirements for the citizens of the Commonwealth of Independent States (CIS) to enter Russia with passports rather than simply ID cards as is the case at the moment. He left open the caveat, however, that free access would continue to be allowed for citizens of countries members of the Union (RIA Novosti, December 12, 2012). The potential implication to remittance-reliant Kyrgyzstan or Tajikistan is clear, creating an instant obstacle for the masses of young men from those countries who work in Moscow to send money back home to their families.

The issue for China is what impact this will have on China's trade relationship with these countries. In particular, Kyrgyzstan is one of the key routes for Chinese goods into the region and for onward reexport—Ambassador Wang Kaiwen, China's man in Bishkek, places the figure at $5 billion per annum. In commenting, Ambassador Wang also placed Kyrgyzstan's trade with China in a broader context. As he put it, "trade between China and Kyrgyzstan is $5 billion, and China's foreign trade is $3 trillion…so this [joining the union] is not a big problem" (Knews.kg, November 30, 2012). The point is that this is a relatively limited problem for China, but the repercussions in Bishkek are uncertain and potentially more substantial.In many ways, this uncertainty places China's 2013 in Central Asia in its appropriate context. It is increasingly clear that China is the most consequential regional actor that is making all the right moves to consolidate its interests. The regional impact and the reactions of both the Central Asian states and Russia to this growing preponderance remain to be seen. For Beijing, the relationship is an important one if they are to effectively develop Xinjiang, but their growing perceived dominance is something that is met with ambivalence regionally where nations like China's money, but worry about its dominance. The dragon has clearly risen in Central Asia, but how the region will decide to respond still remains unclear.

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1. Raffaello Pantucci and Alexandros Petersen, "China's Inadvertent Empire", *The National Interest*, October 24, 2012, http://chinaincentralasia.com/2012/10/24/chinas-inadvertent-empire/
2. Author interviews, November 2012
3. Author interviews, October 2012
4. Author interviews in Ashgabat, September 2012
5. Author observations at Khorgos, April 2012; and interview January 2013

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